**ALS Inspection UK Limited**

# Annual report and financial statements
31 March 2017

Registered number 1218386

# Contents

# Strategic Report

**Principal activities**

The Company's registered head office is in Knowsley, United Kingdom where it employs 111 people. The Company's principal activities are the inspection and analysis of metals, minerals and ores.

**Business model**

As part of the Australian stock exchange listed ALS Limited group of companies, ALS Inspection UK Limited is positioned in the Inspection Division within the larger Minerals Division (one it's four main operating divisions). The Inspection Division inspects, weighs, samples, analyses and reports on the quantity and quality of commodities to produce findings that can be used for final commercial settlement purposes.

ALS Inspection UK Limited provides accurate, global Inspection & Analysis services for metals, minerals, ores, precious metals, ferro alloys and solid fuels. Teams of surveyors are strategically located in major ports, smelters, refineries and steelworks and warehouses around the world to undertake precise inspection and sampling of commodities. Samples are dispatched to Hub labs such as that in the UK with analytical results being used for commercial exchange purposes between buyer and seller.

ALS Inspection UK Limited boasts one of the foremost umpire and party analysis laboratories in the world. All sampling and sample preparation operations are undertaken to the highest of international standards and our laboratory is ISO 17025:2005 accredited.

**Business review and results**

The UK operation, the global hub for the Inspection Group, was again a strong performer within the global ALS Inspection network, processing significantly large sample numbers, obtaining competitive turnaround time, strong technical performance and quality recognition.

During FY 16/17 the UK business plateaued, financially, compared to the previous period. A relatively static revenue result led to small erosion in EBIT when compared to previous year. However, the business still posted a robust annual profit with ROS, excluding amounts written off investments, at 30% for the year.

In line with financial performance trends, sample receipt volumes were slightly lower than the previous year. It should be noted that the previous period recorded a historical record relating to sample receipt, which was not realistic to sustain due to deterioration in market conditions from H2 FY 15/16 onwards.

Market conditions and commodity pricing improved during H2 FY 16/17 and the business responded accordingly; H2 showing a 6% increase in revenue compared to H1. This trend has continued into FY 17/18.

Revenue relating to inspection services had a strong 12 month period with a number of large contracts secured globally. This combined with a sample volume variation led to a change in sales mix and profitability. Inspection revenue is integrally linked to Asia and more specifically China.

In Asia FY17 was characterised by continued growth and expansion for the ALS Inspection China business. Geographically the business expanded into multiple new locations along the mainland China coastline, recruiting experienced inspectors in strategic ports, and has now established a service network from the North to the South of China enabling ALS Inspection to service key customers. The business performs well from a quality of service perspective and year on year has grown market share.

Significant capital investment (equipment, instrumentation and facility build out) together with up scaling headcount resources and maximising shift patterns across the operation have been required in order to keep pace with business volumes and to ensure sufficient capacity exists and maintain service levels.

Significant capital investment into the laboratory facility; build and expansion program that when complete will create a modern, state of the art testing facility with an additional 50% capacity.

## Strategic Report *(continued)*

**Key performance indicators**

The Company's KPIs are, in addition to financial performance, measured by the following parameters:

- Sample throughput (numbers) in each laboratory
- Sample Turn Around Times (in all laboratory activities)
- Number of re-tests (accuracy)
- Commodity tonnages inspected

**Principal risks and uncertainties**

There remains a degree of uncertainty over world economic conditions and especially over general market liquidity. Standard geopolitical risks; heightened since the change of leaders in many key governments around the world. The Directors continue to monitor the position closely.

**Future developments**

*Inspection Division Outlook*

Forward looking outlook is more optimistic. Market conditions and commodity pricing have improved with increasing volumes of core commodities being shipped and traded globally.

Political instability (tension in Asia due to North Korea and conflict with ISIS still ongoing) leads to investment in Gold as a safe haven. High gold price leads to increased testing. With cyclical businesses in the ALS portfolio now on the upcycle, we can envisage a more developmental and expansion mind-set globally within ALS.

Focus will remain upon maintaining strong cost base management combined with a much greater emphasis upon strategic business development activity, geographic expansion, operational, standardisation and productivity initiatives.

Now that the UK laboratory expansion project has completed, the business is well placed to take advantage of the additional capacity and efficiencies this will bring.

There is the potential for identified geographic expansion by either acquisition, organic growth or by leveraging ALS Minerals Division service lines and network. Greater attention will be directed to developing regions of the world which demonstrate stronger economic performance and activity (e.g. Asia, South America and Africa) and allow service provision in tune with the logistical flows of core commodities from region of origin to region of consumption. The Chinese business will receive further investment and resources to enable further network and headcount expansion to assist continuous work volume growth. We expect diversification into a wider range of commodities than currently inspected and analysed and further geographic diversification.

By order of the board.

**J Smyth**
*Director*
**15 December 2017**

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

### Results

The profit for the year, after taxation, amounted to £2,794,000 *(2016: £5,092,014)*. The directors have not paid an interim dividend during the year (*2016: £nil*). The results include an impairment of £1,798,000 in respect of the Company's investment in Beldutch Holdings BV.

### Proposed dividend

The directors do not recommend the payment of a final dividend *(2016: £nil)*.

### Directors

The directors who held office during the year were as follows:

| | |
|---|---|
| G Kilmister | (resigned 17 May 2017) |
| C Walker | |
| J Smyth | (appointed 17 May 2017) |

All directors benefitted from qualifying third party indemnity provisions in place and at the date of this report.

### Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with Company policies. Initiatives designed to minimise the Company's impact on the environment include the safe disposal of waste arising from operations, in particular that of laboratory waste.

### Employees

The Company is committed to providing staff and management training designed to encourage the necessary attitudes and skills to foster good communication and consultation at all levels with a view to informing and involving staff in the progress of the Company and its future. Communication with all employees is conducted through the regular dissemination of relevant information, announcements and meetings with management.

The Company is committed to all aspects of staff training. This is achieved through on the job training and through other local and national training and development initiatives.

### Employment of disabled persons

The Company operates an equal rights policy across all its subsidiaries.

### Political contributions

The Company made no political donations nor incurred any political expenditure during the year *(2016: £nil)*.

# Directors' report *(continued)*

**Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J Smyth

**J Smyth**
*Director*

**15 December 2017**

Caddick Road
Knowsley Business Park
Prescot
Merseyside
L34 9HP

# Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

# Independent auditor's report to the members of ALS Inspection UK Limited

We have audited the financial statements of ALS Inspection UK Limited for the year ended 31 March 2017 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate .

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## Independent auditor's report to the members of ALS Inspection UK Limited *(continued)*

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report.

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

H Jones.

**Hywel Jones (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
8 Princes Parade
Liverpool
L3 1QH

19 **December 2017**

# Profit and Loss Account
***for year ended 31 March 2017***

| | Note | **2017** | 2016 |
|---|---|---|---|
| | | **£000** | £000 |
| **Turnover** | *2* | **15,306** | 14,675 |
| Cost of sales | | **(7,899)** | (7,155) |
| **Gross profit** | | **7,407** | 7,520 |
| Administrative expenses | | **(2,767)** | (2,593) |
| Other operating income | *3* | **-** | 5 |
| Amounts written off investments | *13* | **(1,798)** | - |
| **Operating profit** | | **2,842** | 4,932 |
| Income from shares in group undertakings | *8* | **409** | 721 |
| Other interest receivable and similar income | *9* | **1** | 1 |
| **Profit on ordinary activities before taxation** | | **3,252** | 5,654 |
| Tax on profit on ordinary activities | *11* | **(458)** | (562) |
| **Profit for the financial year** | | **2,794** | 5,092 |

All turnover and operating profits in both financial periods are derived from continuing operations.

The notes on pages 12 to 25 form part of the financial statements.

## Other Comprehensive Income
***for year ended 31 March 2017***

| | Note | **2017** **£000** | 2016 £000 |
|---|---|---|---|
| Profit for the year | | **2,794** | 5,092 |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of income tax | | **-** | - |
| Total comprehensive income for the year | | **2,794** | 5,092 |

The notes on pages 12 to 25 form part of the financial statements.

# Balance Sheet
***at 31 March 2017***

| | *Note* | **2017** | | 2016 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *12* | | **2,436** | | 1,775 |
| Investments | *13* | | **1,641** | | 3,439 |
| | | | **4,077** | | 5,214 |
| **Current assets** | | | | | |
| Stocks | *14* | **178** | | 202 | |
| Debtors | *15* | **90,793** | | 89,741 | |
| Cash at bank and in hand | *16* | **1,371** | | 902 | |
| | | **92,342** | | 90,845 | |
| **Creditors:** amounts falling due within one year | *17* | **(12,019)** | | (14,486) | |
| **Net current assets** | | | **80,323** | | 76,359 |
| **Total assets less current liabilities** | | | **84,400** | | 81,573 |
| **Provisions for liabilities** | | | | | |
| Deferred tax liability | *19* | **(91)** | | (58) | |
| | | | **(91)** | | (58) |
| **Net assets** | | | **84,309** | | 81,515 |
| **Capital and reserves** | | | | | |
| Called up share capital | *21* | | **150** | | 150 |
| Profit and loss account | | | **84,159** | | 81,365 |
| **Shareholders' funds** | | | **84,309** | | 81,515 |

These financial statements were approved by the board of directors on 15th December 2017 and were signed on its behalf by:

J H Smyth

**J Smyth**
*Director*

Company registered number: 1218386

The notes on pages 12 to 25 form part of the financial statements.

# Statement of Changes in Equity

| | Called up Share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Balance at 1 April 2015 | 150 | 76,273 | 76,423 |
| **Total comprehensive income for the period** | | | |
| Profit or loss | - | 5,092 | 5,092 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 5,092 | 5,092 |
| **Balance at 31 March 2016** | **150** | **81,365** | **81,515** |
| Balance at 1 April 2016 | **150** | **81,365** | **81,515** |
| **Total comprehensive income for the period** | | | |
| Profit or loss | - | 2,794 | 2,794 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 2,794 | 2,794 |
| **Balance at 31 March 2017** | **150** | **84,159** | **84,309** |

The notes on pages 12 to 25 form part of the financial statements.

# Notes

***(forming part of the financial statements)***

## 1 Accounting policies

ALS Inspection UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, ALS Limited includes the Company in its consolidated financial statements. The consolidated financial statements of ALS Limited are available to the public and may be obtained from the address in note 25. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### *1.1 Measurement convention*

The financial statements are prepared on the historical cost basis.

### *1.2 Going concern*

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons: The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### *1.3 Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.4 Basic financial instruments*

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

*Investments in subsidiaries, jointly controlled entities and associates*

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

### *1.5 Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.5 Tangible fixed assets (continued)*

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 10 to 100 years
- plant and equipment 4 to 10 years
- fixtures and fittings 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

### *1.6 Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

### *1.7 Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### *1.8 Impairment excluding stocks and deferred tax assets*

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.8 Impairment excluding stocks and deferred tax assets* (continue)

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

### *1.9 Employee benefits*

*Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### *1.10 Turnover*

Turnover represents the value of services rendered excluding value added tax. Revenue from services rendered is recognised based on the stage of completion.

### *1.11 Expenses*

*Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance leases*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

*Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.11 Expenses (continue)*

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### *1.12 Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## 2 Turnover

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Rendering of services | **15,306** | 14,675 |
| Total turnover | **15,306** | 14,675 |

By geographical market

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Europe | **7,447** | 8,222 |
| Rest of the world | **7,859** | 6,453 |
| Total turnover | **15,306** | 14,675 |

# Notes *(continued)*

## 3 Other operating income

| | 2017 | 2016 |
|---|---|---|
| | **£000** | £000 |
| Net gain on disposal of tangible fixed assets | - | 5 |
| | - | 5 |

## 4 Expenses and auditor's remuneration

*Included in profit are the following:*

| | 2017 | 2016 |
|---|---|---|
| | **£000** | £000 |
| Gain on foreign currencies | **(522)** | (172) |

*Auditor's remuneration:*

| | 2017 | 2016 |
|---|---|---|
| | **£000** | £000 |
| Audit of these financial statements | **39** | 31 |
| Amounts receivable by the company's auditor and its associates in respect of: | | |
| Taxation compliance services | - | 6 |

## 6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **2017** | 2016 |
| Operations | **89** | 86 |
| Administration | **26** | 22 |
| | **115** | 108 |

The aggregate payroll costs of these persons were as follows:

| | 2017 | 2016 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **2,868** | 3,023 |
| Social security costs | **291** | 307 |
| Contributions to defined contribution plans | **154** | 153 |
| | **3,313** | 3,483 |

# Notes *(continued)*

## 7 Directors' remuneration

No directors received any emoluments during the current or prior financial period in respect of their services to this company.

## 8 Income from shares in group undertakings

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Dividend income | **409** | 721 |
| | **409** | 721 |

## 9 Other interest receivable and similar income

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Interest receivable on financial assets at amortised cost | **1** | 1 |
| Total interest receivable and similar income | **1** | 1 |

Interest receivable and similar income includes income from group undertakings of £nil. *(2016: £1,038).*

## 11 Taxation

**Total tax expense recognised in the profit and loss account, other comprehensive income and equity**

| | 2017 £000 | £000 | 2016 £000 | £000 |
|---|---|---|---|---|
| *Current tax* | | | | |
| Current tax on income for the period | **937** | | 604 | |
| Adjustments in respect of prior periods | **(512)** | | (37) | |
| Total current tax | | **425** | | 567 |
| *Deferred tax (see note 19)* | | | | |
| Origination and reversal of timing differences | **11** | | 1 | |
| Adjustment in respect of prior periods | **27** | | - | |
| Change in tax rate | **(5)** | | (6) | |
| Total deferred tax | | **33** | | (5) |
| Total tax | | **458** | | 562 |

# Notes *(continued)*

## 11 Taxation *(continue)*

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| | **Current tax** | **Deferred tax** | **Total tax** | Current tax | Deferred tax | Total tax |
| Recognised in Profit and loss account | 425 | 33 | **458** | 567 | (5) | 562 |
| Recognised in other comprehensive income | - | - | - | - | - | - |
| Total tax | 425 | 33 | **458** | 567 | (5) | 562 |

*Analysis of current tax recognised in profit and loss*

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| UK corporation tax | **425** | 567 |
| Double taxation relief | **(161)** | (184) |
| Foreign tax | **161** | 184 |
| Total current tax recognised in profit and loss | **425** | 567 |

**Reconciliation of effective tax rate**

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Profit for the year | **2,794** | 5,092 |
| Total tax expense/(credit) | **458** | 562 |
| Profit excluding taxation | **3,252** | 5,654 |
| Tax using the UK corporation tax rate of 20% *(2016: 20%)* | **650** | 1,131 |
| Fixed asset differences | **17** | 12 |
| Reduction in tax rate on deferred tax balances | **(7)** | (6) |
| Tax exempt revenues/non-deductible expenses | **283** | (140) |
| Group relief claimed | **-** | (398) |
| Adjustment in respect of prior periods | **(485)** | (37) |
| Total tax expense included in profit or loss | **458** | 562 |

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 The deferred tax liability at 31 March 2017 has been calculated based on these rates.

# Notes *(continued)*

## 12 Tangible fixed assets

| | Land and buildings £000 | Plant and Equipment £000 | Fixtures & fittings £000 | Under construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 April 2016 | 971 | 2,891 | 984 | 503 | 5,349 |
| Other acquisitions | 538 | 228 | 13 | 81 | 860 |
| Disposals | (7) | (19) | (6) | | (32) |
| Balance at 31 March 2017 | 1,502 | 3,100 | 991 | 584 | 6,177 |
| **Depreciation and impairment** | | | | | |
| Balance at 1 April 2016 | 373 | 2,224 | 977 | - | 3,574 |
| Depreciation charge for the year | 53 | 127 | 7 | - | 187 |
| Disposals | (1) | (13) | (6) | - | (20) |
| Balance at 31 March 2017 | 425 | 2,338 | 978 | - | 3,741 |
| **Net book value** | | | | | |
| At 1 April 2016 | 598 | 667 | 7 | 503 | 1,775 |
| **At 31 March 2017** | **1,077** | **762** | **13** | **584** | **2,436** |

*Tangible fixed assets under construction*

Cumulative expenditure on the Site Redevelopment Project totalled £1,336,420 as at 31 March 2017. Construction is due to be completed during the year ending 31 March 2018.

*Land and Buildings*

The net book value of land and buildings comprises:

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Long leasehold | **1,077** | 598 |
| | **1,077** | 598 |

# Notes *(continued)*

## 13 Fixed asset investments

| | Shares in group undertakings £000 |
|---|---|
| ***Cost and net book value*** | |
| At beginning of year | 3,439 |
| Additions | - |
| Disposals | - |
| At end of year | **3,439** |

The Company has the following investments in subsidiaries and jointly controlled entities:

| | Aggregate of capital and reserves | Profit or loss for the year | Country of incorporation | Class of shares held | Ownership 2017 | Ownership 2016 |
|---|---|---|---|---|---|---|
| | £000 | £000 | | | % | % |
| OMAC Laboratories Limited | 9,287 | 1,023 | Republic of Ireland | Ordinary | 100 | 100 |
| Beldutch Holdings BV | 2,658 | (46) | Holland | Ordinary | 100 | 100 |
| Stewart Assay and Environmental Laboratories LLC | 3,263 | 698 | Kyrgyzstan | Ordinary | 63.5 | 63.5 |
| ALS Group LLC | 2,887 | 417 | Mongolia | Ordinary | 70 | 70 |
| ALS Inspection Netherlands BV | 813 | (219) | Holland | Ordinary | 100 | 100 |
| Alex Stewart Deutschland GmbH | 232 | 17 | Germany | Ordinary | 100 | 100 |
| ALS Inspection Belgium NV | 2,033 | (184) | Belgium | Ordinary | 100 | 100 |
| ALS Inspection LLC | 588 | 126 | Mongolia | Ordinary | 100 | 100 |
| Alex Stewart TES Bretby BV | 1,106 | 4 | Holland | Ordinary | 100 | 100 |
| ALS Inspection South Africa (Pty) Limited | 2,061 | (616) | South Africa | Ordinary | 100 | 100 |
| Stewart Group Assayers Limited | (24) | (6) | United Kingdom | Ordinary | 100 | 100 |
| **Associated Undertakings – Joint Ventures** | | | | | | |
| Stewart Geo Chemical and Assay LLC | 4,060 | 384 | Russia | Ordinary | 50 | 50 |
| ALS Inspection China Limited | 1,173 | 283 | China | Ordinary | 50 | 50 |

# Notes *(continued)*

## 14 Stocks

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Raw materials and consumables | **178** | 202 |
| | **178** | 202 |

Raw materials, consumables recognised as cost of sales in the year amounted to £768,426 *(2016: £841,845).*

## 15 Debtors

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Trade debtors | **2,776** | 2,403 |
| Amounts owed by group undertakings | **87,363** | 85,706 |
| Taxation and social security | **100** | 1,174 |
| Prepayments and accrued income | **554** | 458 |
| | **90,793** | 89,741 |
| Due within one year | **90,793** | 89,741 |
| Due after more than one year | - | - |
| | **90,793** | 89,741 |

## 16 Cash and cash equivalents/bank overdrafts

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Cash at bank and in hand | **1,371** | 902 |
| Bank overdrafts | - | - |
| Cash and cash equivalents | **1,371** | 902 |

## 17 Creditors: amounts falling due within one year

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Trade creditors | **1,601** | 1,140 |
| Amounts owed to group undertakings | **9,816** | 12,949 |
| Taxation and social security | **262** | 69 |
| Accruals and deferred income | **340** | 328 |
| | **12,019** | 14,486 |

# Notes *(continued)*

## 18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| **Creditors falling due more than one year** | | |
| Amounts owed to group undertakings | - | - |
| Amounts owed to undertakings in which the company has a participating interest | - | - |
| | - | - |
| **Creditors falling due within less than one year** | | |
| Unsecured bank facility | - | - |
| Amounts owed to group undertakings | - | - |
| Amounts owed to undertakings in which the company has a participating interest | - | - |
| | - | - |

## 19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | **Assets** | | **Liabilities** | | **Net** | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Accelerated capital allowances | - | - | **91** | 58 | **91** | 58 |
| Other | - | - | - | - | - | - |
| Tax (assets) / liabilities | - | - | **91** | 58 | **91** | 58 |
| Net tax (assets) / liabilities | - | - | **91** | 58 | **91** | 58 |

# Notes *(continued)*

## 20 Employee benefits

**Defined contribution plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £154,400 *(2016: £153.056)*

**Termination benefits**

Redundancy costs of £nil were incurred in the year *(2016 £18,750).*

## 21 Capital and reserves

**Share capital**

| | 2017 £000 | 2016 £000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 150,000 ordinary shares of £1 each | **150** | 150 |
| | **150** | 150 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Less than one year | **61** | 55 |
| Between one and five years | **157** | 137 |
| More than five years | **1,036** | 1,054 |
| | **1,254** | 1,246 |

During the year £49,336 was recognised as an expense in the profit and loss account in respect of operating leases *(2016: £56,217).*

## 23 Commitments

*Capital commitments*

The Company had contractual commitments to purchase tangible fixed assets at the year end of £102,539 *(2016: £319,044).*

# Notes *(continued)*

## 24 Related parties

*Other related party transactions*

| | **Sales to** | | **Administrative expenses incurred from** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption) | **80** | 202 | **2,893** | 2,073 |
| Other related parties | **13** | 22 | **201** | 22 |
| | **93** | 224 | **3,094** | 2,095 |

| | **Debtors outstanding** | | **Creditors outstanding** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption) | **2,286** | 3,667 | 586 | 225 |
| Other related parties | **85,077** | 82,039 | 9,230 | 12,724 |
| | **87,363** | 85,706 | 9,816 | 12,949 |

## 25 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Stewart Holdings Management Limited. The ultimate parent company and controlling party is ALS Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by ALS Limited, incorporated in Australia. No other group financial statements include the results of the Company. The consolidated financial statements of ALS Limited are available to the public and can be accessed from the company's website at **www.alsglobal.com**.